I SUPPORT " A FAIR GO FOR ALL AUSSIES " how about you ?

Kick start low interest first home buyer 5% deposit loan (LVR 95%)

The Government and Australia Treasury will establish a master enterprise agreement to provide Kick Start low interest home loans that will assist first time home buyers to enter the market. Banks that agree to the terms of the enterprise agreement will be accepted as a participant and may promote a recognisable logo available to all members.

The terms of the banking industry enterprise agreement.

1 The banking enterprise agreement is for an initial term of 5 years subject to review by the board of the new Australia Treasury.

2 Loans will be subject to an independent certified valuation of the security property provided to the bank and home buyer.

3 The Government and Australia Treasury has inspected and assessed the industry standard risk of loss as a result of default in providing a loan with a 5% deposit to be an industry wide nominal rate of 3% amortised across all outstanding loans .
Should a home buyer not be able to repay the loan outstanding and the home is sold to recover the loan the Government agrees to reimburse the bank for any shortfall in recovery of the loan up to a maximum of 6% of the loan outstanding including accrued interest and recovery costs.
The 6% guarantee does not reimburse the home owner for the deposit paid.
* refer to note re banks risk of doing business Risk A and B

4 The deposit paid on the satisfaction of all conditions of the sale to be a minimum of 5% of the certified sale price. A deposit above 5% does not exclude a 1st home buyer from receiving a Kick Starts home loan.
A condition of the loan is the home buyer will maintain an every day offset loan account linked to the mortgage.
The enterprise agreement increases the Government guarantee of funds deposited to a Kick Start every day account from $250,000 to $500,000.

5 The Government guarantee is 6% and is 100% above the industry benchmark risk of funding a loan and provides the bank with a buffer for the risk of house prices falling in the market place as a result of unforeseen changes in economic circumstances (such as the oil crisis) as distinct from government policy and the bank maintaining a responsible lending policy.
The generous guarantee removes the banks risk of loss by default and entitles the borrower to the banks baseline interest rate * refer to note re banks risk of doing business Risk A less the banks provision for loan impairment as assessed in the member banks annual published accounts plus any loading for increased risk.
It is noted that the reduced interest rate does not impact the banks ability to compete in the business of banking.
The bank sets its unique lending policy including interest rates,interest rate margin and loan impairment charges.
Quarterly RBA cash rate adjustments plus or minus will apply to the Kick Start interest rate at the banks discretion.
Banks will be required to advertise their base mortgage interest rate at the LVR Ratio of 60%.
The base rate is subject to revision of the banks loan impairment charge in line with realised losses.
The enterprise agreement does not impact the banks ability to conduct business in a free and competitive environment .
It is noted that a bank sets its interest rates and interest rate margin internally regardless of the RBA basis points adjustments up or down. RBA rate adjustments are advisory only.

6 Loan Funding arrangements and "Kick Start every day offset account" explained.
All Kick Start Loans will be subject to the home buyer entering into an agreement to operate only one every day transaction and savings account being a "Kick Start every day offset account" entitled to a monthly interest offset at the interest rate charged to the linked mortgage .
At the time of purchase the home buyer may have funds in excess of the 5% deposit and purchasing costs that may be held in the home buyers offset account and will not preclude the granting of a Kick start home loan.
The excess funds may reduce the initial LVR to below 95% but will not exclude the First Home buyer from being eligible for a Kick Start Loan.

7 Monthly interest earned will be returned to the bank and reduce the mortgage principal.
The principal returned will fund new loans provided by the bank.
It is to be noted that funds returned to the bank is calculated monthly and reduces the banks interest revenue by one 12th of the annual interest rate.
Example : Offset interest rate 4.80% divided by 12 = 0.4% . The cost of funds returned is less than 1% and a bank will use the funds returned from the offset accounts to fund new loans.
The reduction in principal does benefit the home buyer and reduces the term of the loan and interest charged going forward the same as a voluntary repayment of principal.
The arrangement is beneficial to both parties , provides liquidity in capital employed and enable the banks to monitor the impact of changes to lending criteria .

…....continued

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8 RBA Domestic Base Cash Rate will be set at 1.50% plus 0.5% Housing Sustainability Fund = 2.00% base rate.
Housing Sustainability Levy will apply to all housing mortgages including Kick Start Loans and will be remitted to the Housing Australia Fund monthly by all banks.
Housing Sustainability Levy applies to all home loans including KICK START LOW INTEREST LOANS.
* refer to note re RBA cash rate to be 1: Domestic rate 2: International rate to align with international bank swap rates .

9 Housing price increases will be monitored by Australia Treasury with the target for price rises to align with wages growth over time .
Treasury will meet 3 monthly in line with BAS lodging times .. January ….April …. July ….October.

10 Kick start home owners may not purchase another property for the period of the loan 5 years ?

Negative gearing arrangement to remain in place for individual investors and capital gains for 1 investment property will be tax free for wage earners.
Investments of more than1 property must be holders of an Australian Business Number and lodge a business tax return subject to the ATO business regulations including Capital Gains Tax and losses carried forward.

11 Details to be entered in the contract of sale.

1 The sale price of the property supported by an independent certified valuation certificate .
2 The deposit to be paid on the satisfaction of all conditions of the contract to be 5% or more of the certified valuation.
The deposit determines the home buyers risk refer to note re banks risk of doing business Risk B
3 The contract will be subject to a Kick Start first home owners loan for a term of 5 years when the loan will revert to the lenders standard terms and conditions.
4 Interest rates will be subject to change in the banks 60% LVR base rate due to changes up or down in the RBA cash rate and loan impairment charges realised.

Kick Start Loan is work in progress ...these notes are under review.

For consideration

INDUSTRY SUPER FUNDS will be invited to invest in the HOUSING AUSTRALIA FUND and Receive 3% INTEREST TAX FREE ? (to align with company franked dividend yields)
The RBA .05% Housing Sustainability Levy will provide the funds to pay interest to the super funds.
Foot note
SHELTER IS A HUMAN RIGHT AS IS THE RIGHT TO FOOD AND EMPLOYMENT
It is apparent to a clear thinking person not infected with the negative gearing virus that house prices cannot continue to escalate above wages growth .
Wages growth must be aligned to property capital gains
The kick start loan is to moderate housing price rises and return growth over time to price increases aligned to wages growth and in line with the RBA target 2% to 3%
State PAYG tax must remove the burden of land tax on residential homes and in particular business premises. The cost of power and land tax is destroying small business and rental affordability.
The huge wastage of economic value of $100billion dollars each year to finance capital gains would fund nuclear power.
Plus a moderate EXPORT TAX levied on all export of resources and directed to THE FUTURE FUND to support adding value by the processing and manufacture of Australia's resources.
The future Fund may finance the transition to Nuclear power to replace coal and gas.
A base rate export tax should be a component of all FREE TRADE AGREEMENTS